Paine, Rob't Treat, Jr.

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OF

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ENHANCEMENT OF ITS VALUE, FOLLOWED BY VOLUNTARY FUNDING OF THE EXCESS OF THE CURRENCY THUS CREATED, IS THE ONLY SAFE PLAN.

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THE Resumption of Specie Payments demands the immediate attention of the country. Wise measures, looking to early and complete reform, should be devised at once, and carried promptly into execution. The last excuse for delay has gone. The November statement of the public debt shows that the whole floating debt has been funded, save only the three per cent certificates which the business of the country is said to need, and excepting of course the United-States notes, which are the source of our troubles and the evil to be removed.

The reconstruction of the Southern States has been completed, so far as statutes will avail; and, with the election of General Grant, we may hope that peace will prevail through that unhappy section, under the equal rule of law. The internal revenue system has been established, amended, and improved. The questions connected with the tariff have long been familiar to the country. On all these branches of legislation, important matters of detail will no doubt demand attention. But of the great questions left us by the war, the Restora-

tion of the Currency alone remains almost untouched. Its transcendent importance to all the great interests of the country, to capital, and even more to the laboring classes, and especially to the virtue and honor of the people, will no longer tolerate delay.

Fortunately, the election is now over, and ceases to absorb the thoughts of the country and of Congress. The excuse urged last year against reforming the currency, that even the wisest treatment would inflict distress and make odious the men or party guilty of the measure, can no longer be used. The revenue of the Government and the wealth and resources of the country are ample. Manufacturers are prospering largely, even in the stormy times which always prevail during the reign of paper money. Our agriculture has been blessed with such bounteous harvests, that croakers predict misfortune from the very excess of wealth. Every thing suggests that the hour for action has arrived, and that delay will only aggravate the evils which resumption at any time must cause.

The present condition of our debased money is indeed a blight upon every branch of industry, and, as we shall see, weighs heaviest on the laboring classes, who, because least favored by fortune, most deserve the protection of just laws. And, what is worse, this debasement offers such tempting bait for national fraud, and so taints the morals of the people, that all good men should urgently demand of Congress early and complete restoration of our money.

If the laws offered the *option* of using either kind of money, — gold or greenbacks, a stable or a fluctuating standard of value, — the condition of the people would

be more tolerable. Each man could then elect which standard of value he would use. But for the Government, now that the exigencies of war are over, and in a time of profound peace, to deny citizens the right to use coined money of stable value, and compel them to contract in a currency certain to fluctuate, is a gross infringement on their personal liberty, and a wanton act of tyranny. The first act of Congress on the first day of the session should give coin contracts the protection of law. The supineness of the people, in not demanding long ago such a law of liberty in tones of thunder, is most amazing.

Their patience and long-suffering have indeed been great. If by the arts of some magician the yardstick should fluctuate in length from forty inches to twenty, dealers in dry goods would see that their lot was hard; or if the bushel should fluctuate from three pecks to five, traders in corn and wheat would put up a petition for relief; or if the ton should fluctuate from fifteen to twenty-five cwt., miners and dealers in coal would cry aloud because of the uncertainty of their pursuits. Now money is the yardstick, the bushel, and the ton, all at once. It is the sole measure of the value, not only of every yard of goods, bushel of wheat, and ton of coal, but of every other article which is bought or sold throughout the land. Congress has usurped the functions of such a malignant demon, by enacting a law which not only compels us to use a measure of value that constantly fluctuates, but which purposely prevents us from using the only measure of value which we know to be stable. All values, dealings, and contracts of our domestic commerce must, by law, be measured by this false

and fluctuating measure. How much longer shall the honor of our country, the virtue of the people or their sturdy love of right, tolerate such an odious law, — at all times the source of iniquity, and now at least of no further use, a blot on the civilization of the day.

The difficulty of the question, how best to restore our money, can hardly be overstated. While the consequences of injudicious action would certainly be disastrous, even the wisest plan can hardly fail to cause distress. The plans proposed have been so various, and the authors of each so dogmatic, and so bitter against the plans of their opponents, that the public have turned from the matter almost in despair. Moreover, the situation is one of utter novelty to this generation; and the experience of other countries offers warning of the terrible consequences of mistake, rather than example which we can safely follow. While few have studied to learn the wisest method of escape, nearly all have heard of the sad experience of England after the war with Napoleon, how her efforts to restore her money from debasement were protracted through several years of stagnation and distress, and were followed by a fearful panic and profound collapse.

Dread of similar disaster, and conscious ignorance of how to escape it, make the masses of the people fall easy victims to those bad and designing men, who, while claiming to fight under the banner of reform, urge schemes which they themselves well know would lead to worse debasement of our money. Nay, men are not wanting who insidiously urge the country towards the foul abyss of repudiation, artfully concealed behind the pretence of payment in paper promises to pay, — a fatal

step, wherein the fraud aggravates the crime, and which, once taken, can never be retraced; bringing disgrace upon the name and fame of our country, and shame upon ourselves, our children, and the generations yet to come.

The consequences of such deliberate national dishonor are so appalling, that the bare possibility of it should lead all thinking men to insist on doing away with debased money, which is the source of danger. Public duty calls on every man to devote time and thought enough to this great question to understand the merits of the various plans proposed; and to use his voice and influence to compel Congress to adopt at once the wisest method of restoring our money, and to furnish all the means which may be needed for its complete success.

I publish this pamphlet, in the belief that the following plan will be found to offer the easiest and safest path for the country to return to specie payments; and fearing that the plan, usually urged, of *enforced* contraction of the currency, will lead to needless and extreme distress; and certainly knowing that temperate discussion of the dangers and difficulties of the situation must at all events do good.

The central idea of this plan is that Government shall collect and hold ready for resumption a sufficient supply of coin for public use; and by adopting a definite policy and fixing an early time for resumption and furnishing ample means to make the plan an assured success, the credit of the Government and the value of United-States notes may be enhanced, and as prices fall, and currency thereby becomes plethoric, the excess may be funded by the *voluntary* action of the people at times when the excess is greatest. The dangers of contraction *enforced*

by law will thus be avoided, while all the substantial benefits are gained; and the people will pass safely, and at least without panic, from the use of our depreciated currency to the use of a sound money, based on the ample supply of coin which it is the great duty of the Government to the people to collect.

WHEN SHALL MEASURES LOOKING TO RESUMPTION BE BEGUN?

At the threshold of this subject we are often met with the objection that we must wait, before attempting to resume, till the balance of trade becomes favorable to the country, and that success is hopeless while our foreign debt is as large as at present. But, on reflection, we shall find that the balance of trade is as favorable as it is likely to be for years to come, and that our foreign debt, so far from being likely to grow less, will and must increase from year to year. So long as money can be borrowed in Europe at three, or even five, per cent, and is worth with us eight, or only six, per cent, shall we not borrow capital from Europe, and use it to advantage here? What possibility is there that we shall wish to repay the loan, or what reason is there for such a wish? The relations of our Eastern and Western States afford an apt illustration. Boston and New York have loaned, i.e. invested, a large amount of capital in Illinois. What probability exists that this loan will ever be cancelled? We know that it increases each year by new and large investments. Eastern capital is to-day building the Pacific Railroad. Would it be well for the population of our prairies to object to this enterprise, on the ground that it burdens "their country" with a foreign debt!

Even so between Europe and this country. So long as the rate of interest is lower there than here, we shall be borrowers from them, and find therein our gain; and so far from beginning to repay the debt, we shall add to it each year.* In short, the balance of trade will always be against us; and the amount of the annual deficit will be the amount of the annual loan from Europe to us. If Europe is willing to lend us a part of her surplus capital, it is our business to see that we put it to profitable use.

THE COUNTRY IS NOT RICH ENOUGH!

Again, it is objected that resumption must wait till the country is richer! If we were rich enough in 1860, or 1850, or 1840, to use coined money, are we too poor to-day? Or rather, what has the amount of our national wealth to do with the restoration of our currency? As well might a grocer refuse to abandon the use of weights which vary with the temperature, on the ground that his stock was too small, or that he was too poor. Whether he is rich or poor, or his goods are many or few, he can at least use unchanging weights to weigh them. Even so with our currency; though we were as poor as our Pilgrim fathers, we could still make our contracts and measure our transactions in a currency of fixed and unchanging value.

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* It may be said that Europe makes us pay not only six per cent interest on her investment in our United-States bonds, but exacts an exorbitant bonus, so that her profit amounts to over ten per cent! Shame on us, that, three years after the war has ended, we allow our credit to be so poor that our bonds sell at such a discount. So much the more reason for frowning down the men, and especially the politicians, whose actions and measures increase our discredit at home and abroad. Europe will continue to absorb our bonds, at as low a price as we are willing to sell. And the sooner we can restore our credit and bring our bonds and currency to par in coin, the sooner we shall put an end to the digraceful *shave* to which we now submit.

The amount of specie needed for resumption, in addition to what is now available, cannot much exceed $100,000,000; and shall a nation which expended in a recent war over thirty times that sum, whose government raises and expends over $300,000,000 a year, and whose people consume annually (on the average of $100 apiece) four thousand millions of dollars, to say nothing of how much more than even that vast sum they annually produce, saving and accumulating the balance; shall a great nation of such wealth and productive power lie supine beneath the curse of our present currency, because it is either too poor or too niggardly to procure a better at such small expense?

A SUPPLY OF COIN.

Specie payments can never be resumed without coin. This proposition seems a mere truism. But it cannot be pressed upon public attention too strongly. The people must be so thoroughly convinced of its truth, that they will hail with pleasure measures adopted to accumulate the needed supply of coin; and at once detect and condemn any scheme which drives specie from the country, under whatever artful disguises it may be clothed by the devotees of expansion or repudiation.

In addition to the coin now in the Eastern cities, a further large amount must be procured and held before specie payments can be safely resumed. There must exist, ready for use, a large and available supply. "Specie payments" mean, and for some time after resumption will mean, the actual and daily use and handling of coin. No doubt much other currency, greenbacks or bank-

bills, one or both, will also be needed. But "specie payments" mean that all such paper money shall be convertible, on demand, into coin at par. Before we can safely resume, we need an accumulated supply of specie large enough to serve as an ample fund to redeem all paper money on demand, *and large enough also to inspire confidence, that after resumption specie payments will certainly be maintained.*

What amount of coin is necessary? In a time when confidence reigns, and the demand for shipment to Europe is slight, a small amount of coin is ample to maintain a large currency at par. Most of the needs of trade are better met with checks, drafts, greenbacks, or bank-bills, and there is little actual use for coin. Twenty per cent of coin, or even less, might in such circumstances easily keep at par and in good credit a great volume of currency.

But when we now return to specie payments, we may well expect to see our good old coined money receive a hearty welcome. For a while, at least, we shall all be numismatists, or collectors of coins. This is a healthy sentiment and must be fully gratified. The supply of coin must be so ample that men may get all they wish, and the banks and sub-treasuries still be left with sufficient reserves in their vaults.

About two hundred and fifty millions is the amount of coin which the public judgment, so far as it has spoken, declares should be accumulated and available before we can safely resume. A less sum might indeed, *on trial*, be found enough. But, on the other hand, it might be found not enough. The idea of our first attempt at resumption proving a failure cannot be tolerated. It is needless here to picture the

disastrous consequences to our industry, and the damage to our national credit, or to dwell on the stain on our national honor, which such failure would cause. For all will agree, even those who think the sum named excessive, that we must make assurance doubly sure, even if we err upon the side of caution. The advocates of a smaller sum must give due weight to the fact that it is possible, and in the opinion of good judges probable, that a large amount of specie will be shipped to Europe as soon as it falls to par. Large balances are said to be lying in this country to the credit of foreigners, awaiting the resumption of specie payments for remittance. It is certain that immense amounts of our bonds may be shipped from Europe, and the proceeds sent back in coin. We must certainly reckon on a drain of coin to Europe, as among possibilities; and it is against even the possibilities of the case that we must make sure. At the same time, such a drain is not at all likely to occur, if we have on hand the sum above named when we resume. But, on the contrary, if the attempt is made with a sum much smaller, a drain of specie would be almost inevitable. *If the country is fully prepared to meet a drain of specie, it will not occur.* Nothing can more certainly induce it than insufficient preparation. Nothing can more certainly prevent it than having a supply ample to meet every call. Let Europe see that the plan of action we adopt is wise and bold, and makes liberal provision of coin, and not one of our bonds will come home for sale. Europe will be only too eager to hold them at par, or even to increase her investment at a premium in coin. Nothing damages the credit of a nation or a man more surely than the appearance of weakness. Noth-

ing establishes the credit of a nation or a man so firmly as the possession and confident *exhibition* of strength. In the case of the United States, our vast national wealth and boundless resources are known through Europe almost as well as among ourselves. The Republican party comes into power, pledged fully to maintain the public faith. It only remains to adopt a financial policy consonant with the wealth of the country, and see our credit, both at home and in Europe, rise higher than ever heretofore ; or to adopt a policy halting and niggardly, and see our credit sink deservedly in the estimation of ourselves and all who deal with us.

Examine this question for a moment from another and more practical point of view. Suppose it is urged that $150,000,000 of coin is enough to resume on, and the extra hundred millions is a waste! Let us see what is the waste, and what we get for it. Clearly, the money itself is not wasted, for it remains in the treasury for use. The whole waste consists in a loss of interest during the time it is held, — say six millions for one year; and the cost of the premium on buying it, — say ten millions more, supposing the coin to be bought during the last months before specie payments begin, and when the premium will be tending towards par. A total cost of sixteen millions will be incurred. For this we get, —

First. The *certainty* of successfully resuming and maintaining specie payments; which is worth many times that sum to the capital, trade, and labor of the country.

Second. An improvement of the public credit, which will more than repay that sum, by enabling the Government to negotiate new loans on more favorable terms, and so cause a large annual saving of interest.

Third. As our credit improves, our bonds will rise in price in Europe, and every bond that Europe buys will net so much more to the country.

The result is this, and the country cannot be too profoundly impressed with its lesson: The most expensive luxury in which a borrower can indulge is bad credit. The most profitable investment which a borrower can make is to raise, at any cost, his credit to a high standard, and maintain it free from the least taint of suspicion.

THE GOVERNMENT MUST COLLECT THE SUPPLY OF COIN NECESSARY FOR RESUMPTION.

The duty of collecting the necessary supply of coin rests on the Government. Three reasons may be given: —

I. The Constitution has clothed Congress with the Power, and has charged it with the Trust of regulating the money of the country.

II. The action of Congress in issuing paper money expelled coin from use, and creates the need of now restoring it.

III. The interest of individuals leads them to sell rather than to hold coin, as specie payments approach; so that, if Government refuses to collect the coin that the country will need, resumption will remain impossible.

The Constitution confers on Congress the power "to coin money, regulate the value thereof, and of foreign coin," and provides that "no State shall coin money" or "emit bills of credit;" and further grants to Congress all

power over commerce among the States. In the days of President Jackson, debate ran high between the contending parties, whether Congress had power to charter the National Bank; and the question was practically settled, for the time, by the celebrated Veto. But, in these modern times, Congress has again exercised the power in question, not only by the issuing of United-States notes, which many wise men condemn, but by the chartering of all our national banks, which seems at length to meet with acquiescence, if not approval.

In the debates on the old National Bank, Webster was the master-spirit. He devoted himself to the subject with the whole energy of his intellect. His speeches upon the various phases which, from year to year, the bank and currency questions assumed, are profound and exhaustive. Expounding the clauses of the Constitution which I have cited, Webster clearly proves that Congress is clothed with the power of regulating, preserving, and protecting the money of the country; and that this power is not granted that Congress may have the optional right to exercise or neglect it at pleasure, but that, from its nature, the power must necessarily be exercised for the public welfare. It thus becomes an *obligatory trust.* The duty is commensurate with the power. The power to provide a uniform currency of fixed value, for the whole country, becomes a sacred trust, charged upon Congress to perform. In the words of Webster, " It is the constitutional duty of the Government to see that a proper currency be maintained and preserved; a currency of general credit, and capable of aiding the operations of exchange." —*Speech on the Currency, Vol. IV. p.* 328.

Put, for a moment, the strictest construction upon the Constitution, and let it be denied that Congress can charter banks or regulate the issue of paper money in any shape; still it has never been denied that Congress is charged with the power and duty of regulating the *coined* money of the country, which is all that the present exigency needs.

How much more imperative is the duty of Congress to exercise this constitutional power, and to execute its trust for the common benefit of the whole people, made by the fact, that it was the issuing of the legal-tender notes by Congress in the day of danger, which expelled from use and from the country our former supply of coin, and now creates the need of its restoration.

THE PECUNIARY INTEREST OF INDIVIDUALS LEADS THEM TO SELL COIN, AS RESUMPTION APPROACHES.

The wisdom and necessity of charging Congress with the power and trust of caring for the money of the country find their best illustration in the present exigency. What more convincing proof can be found than the fact, that, unless Congress possessed and should now exercise this sovereign power, the restoration of a sound currency to the people, if it is not utterly hopeless, must at any rate be indefinitely postponed. The reason is evident. The Government is the only power in a country able or willing to incur a large expense for the common good of the whole people. Individuals cannot co-operate and will not combine. Each acts as he is impelled by his private gain; so that, just at the time

when the public need is that coin should be accumulated for use at par, at a loss of the premium, each individual will, for his own profit, take exactly the opposite course.

Suppose, now, the fact becomes clear that specie payments are to be resumed at an early day, either by the adoption of a wise and definite policy by Congress, or from any other cause. It becomes at once the private pecuniary interest of every holder of coin to sell. Whoever sells his coin is a gainer. Whoever holds it till resumption, or during the decline preceding resumption, is a loser. Clearly, it is nobody's interest to hold coin, for coin is nominally falling; it is everybody's interest to hold greenbacks, for they are really rising in value. Whoever has $100 in coin, had better sell it for $130 or $115 or $105, — for the most he can get, — in greenbacks, according to the ruling premium, than hold his coin till specie payments are resumed. The result is too plain to be denied: *The certain approach of specie payments tends strongly to make every holder of coin a seller.*

In such a state of things, specie is thrown on the market, and, finding no one desirous to buy, of course falls in price. It becomes unnaturally cheap, compared with all other merchandise, and will certainly be exported. A depressed price of specie drives coin from the country from various causes. It stimulates importation, because the importer now buys his coin or exchange at a low rate. It checks the exportation of all other commodities, because coin is now a cheaper export than they. *The certain approach of specie payments tends to drive from the country all coin not held by owners willing to suffer certain loss.*

In this emergency, the people can only expect relief from the Government, their great national trustee. The reform is demanded not by a single class in society or branch of trade, but will confer equal benefit on all. The exigency is one which concerns the whole body of the people. It is of such magnitude, that nothing less than the national power and wealth can meet it. Fortunately and wisely, the National Government is intrusted with all the power that is needed, and is bound by a sacred obligation to exert it for the public good. In the history of this country, no more urgent occasion has arisen for its exercise. In short, we see, —

First. If the duty of collecting coin, during the period of accumulation and prior to resumption, does not rest on the Government, it rests nowhere.

Second. If the Government cannot afford to lose the interest and premium on the coin collected, still less can any one else.

Third. If the Government will not collect the coin which the country needs, it will never be collected.

THE GOVERNMENT SHOULD CEASE SELLING COIN.

No policy has yet been adopted looking to resumption. This fact in part excuses the Government for selling what is called its surplus coin. But the first step in the right direction must be to cease selling gold and to hold every dollar. The needed fund cannot be collected too fast or too soon. Until it is collected, resumption is impossible. Ever since the war ended, public men have been found to advocate the sale of the specie in the United-States Treasury. Some writers

on the currency have advised the same course. Various reasons are assigned. Economy is usually thrust forward. Men say they wish to save interest to the Government, and to pay off a part of the public debt. They cry out on the extravagance and folly of holding so large a supply of coin. Some of the advocates of this doctrine go so far as to urge the sale of all the public coin, and would have the duties on imports collected in United-States notes, and the interest on the bonds paid in the same currency.

Another reason, at times ingeniously and treacherously urged, is that Government should sell all its surplus coin in order to reduce the premium on gold by making gold plenty, and so bring back the country toward specie payments. Wise and faithful counsellors! Gold has been coming from our mines since the war began, — say for eight years, — at the rate of eighty millions a year, which, with the two hundred and fifty millions here in 1860, amounts to nearly nine hundred millions. Surely, coin ought to be plenty. What a surfeit of it might we not expect! How do these wiseacres explain the fact that the whole sum on the Atlantic coast seems to be not over $150,000,000? Do we not know that our whole annual product and a part of our previous supply has been driven to Europe, because there was no motive strong enough to lead people to keep it here? Is it not certain that the plentier from any cause and the cheaper it becomes, the faster and more surely it is exported? The Government could easily, by selling its coin reserve, make gold so plenty *for a short time*, and so cheap, that almost the whole would be straightway exported; settling up a part of our foreign

debt, depressing our normal export trade and stimulating importation. The price of gold would sink for a while; but the reaction would be early, violent, and enduring, making plain the folly of the plan to the. dullest eye. Nothing is more certain to postpone specie payments than the entire want of specie. Nothing is more certain to drive specie from the country than an artificial and premature depression of the price. No policy can be more suicidal than to have the last remaining hoard of coin scattered and exported.

The advocates of selling the public coin must be met with plain and stern rebuke. No matter how ingeniously they may press their doctrines, or what reasons they may urge, no matter how artfully they may cloak their secret wish, they all fall into one category. They are all Soldiers of Repudiation. Whether ignorant or aware of the tendency of their evil plans, they favor that foul heresy. Whoever, from this day forward, would have Government sell one dollar of its coin, is tainted, even if he does not know it, with repudiation. The longer resumption is now put off, the less likely it is to come about till after the country has plunged into a profounder slough of paper money. Need of delay or excuse for hesitation have passed. The time has come for prompt and decisive action. Not a day should now be lost. The energies of the country should be concentrated into a grand, united, and triumphant struggle for resumption at the earliest possible moment. The chief need is an ample supply of available coin. Let not another dollar be sold from the United-States Treasury. Every sale postpones resumption, tends to postpone it indefinitely, and is a damage to the public welfare.

From this day forward, let every public man who dares to advocate the sale of specie by the Treasury, be a marked man. No matter what his plea, or his apology, he ranges himself on the side of repudiation, and the people should affix to him the brand of indelible disgrace, REPUDIATOR.

THE DEFICIT OF COIN, NOV. 1, 1868, $100,000,000.

The United-States Treasury held on Nov. 1 . . .	$103,000,000
The banks of the Eastern States hold on the average	20,000,000
The amount in private hoards may be estimated . . .	27,000,000
Total available supply, irrespective of ownership,	$150,000,000

To make up the desired sum of $250,000,000, a deficit exists of one hundred millions.

SOURCES OF SUPPLY TO THE GOVERNMENT.

The national revenue in coin from duties on imports is about $175,000,000. Interest on the bonds needs about $125,000,000, and a surplus is left of $50,000,000 a year which can be accumulated. If in January, 1869, a definite policy is adopted, eighteen months to July, 1870, gives $75,000,000, which the Government can add to its present reserve. But Congress can wisely adopt a plan much speedier in its operation.

THE COIN INTEREST MAY BE MADE PAYABLE IN CURRENCY, ACCORDING TO THE PREMIUM OF THE DAY, AT THE OPTION OF THE BONDHOLDER.

Seeing that a supply of coin was an indispensable prerequisite to resuming specie payments, some writers have urged that Government should suspend for a while the payment of interest in coin, and seek to do justice to the bondholder by paying him seven and three-tenths per cent in currency on a six per cent bond and six per cent in currency on a five per cent bond. But this plan, if compulsory on the bondholder, is a breach of contract, and is one form of repudiation. The public honor cannot tolerate any scheme which impairs one jot or tittle of the plighted faith of the people. Not only the essence, but the form of the contract, must be sacred from the slightest violation. Happily, the Republican party is pledged to the utmost good faith with the public creditor. Happily, and to the surprise of some, these pledges have been welcomed and ratified by sincere demonstrations of joy in all parts of the Northern States. Repudiation has received its death-blow. The day when any measure tainted with open repudiation can be carried seems to have passed away, it is to be hoped not in our generation at least to return.

The bondholders must have their interest in coin, if they wish coin. But Congress can well empower the Secretary of the Treasury to offer them *the option* of taking either coin, or currency at a rate equivalent to coin. To prevent any attempt of speculators to run up the price of gold and defraud the Government, the power of the Secretary should be optional, and not obligatory.

The Sub-treasurers in New York and other cities can fix each day the rate of coin. If coin should be artificially pressed up, the option of currency need not be offered, but payment made in coin alone.

This plan secures the Treasury from any attempt at fraud, and gives to the creditors not only their full contract rights, but offers them an option which many will welcome. Few men will insist on receiving coin when offered the full equivalent in currency, especially as the great mass of bondholders now sell their coin for currency as soon as they receive it. Finally, this plan fully and safely accomplishes the end so devoutly to be wished, enabling the Government to collect and hold a supply of coin, paving the way for the early and safe resumption of specie payments.

Twelve months will be ample time, if this plan be discreetly enforced, to accumulate the necessary hoard of coin. During this period, $175,000,000 will be paid into the Treasury for duties, and if $75,000,000 be paid out to the bondholders who prefer coin, the balance of $100,000,000 is the amount which is needed, and added to the present reserves, will enable the Government and the country safely to resume and maintain specie payments.

WHENCE CAN WE EXPECT THE SUPPLY OF COIN?

Our mines yield eighty millions a year. This amount, which hitherto has gone abroad, can be diverted into the Treasury. The reserves of California and our other gold-producing States are larger than they need, and may easily be made to contribute to make good the

deficit in the East. If more should be wanted, it may safely be said that it would flow in from Europe, without being missed from the immense hoards of London and Paris, which now depress the rate of interest to two per cent per annum.

The objection will no doubt be urged, that, during the process and while the Government hoard is daily growing, the outside supply will be so small that speculators can control the price of gold, and will force it up into high figures, to the injury of our national credit and the great disturbance and damage of honest industry.

But speculators as often operate for a decline as for a rise, and their cunning and their gain consist in their shrewdly divining the tendency of the market, and guiding their operations accordingly. No considerable rise in the price of gold will be possible. The tendency will be irresistible to lower prices, and for these reasons: —

Let the Government come into the hands of men pledged to maintain the public faith and credit, and capable of using with sagacity the vast wealth and resources of the country; let Congress adopt a wise and definitive policy of restoring the currency and furnish ample means for its execution; let a statute be enacted, that on or before July 1, 1870, specie payments shall be resumed; let the country see, from day to day, that the Government is carrying the plan into execution with a strong hand; that the supply of coin will, when the day arrives, not only be ample, but, in the opinion of many, excessive; in short, let every holder of coin know, so that he may rest almost as well assured as of any future event, that on the given day, and probably much earlier, coin will be worth no more than

greenbacks, and that greenbacks will be certainly convertible into coin, — what power on earth can hinder the fall of gold? What holder will not be forced by interest to sell his coin for greenbacks, at a premium, when he knows, as well as he knows any thing about his investments, that his greenbacks will soon be equal to coin. Nay more. Does it not become the interest of every banker in New York, Boston, or Philadelphia, to import gold from Europe, and selling it at a premium, hold the proceeds in currency till specie payments are resumed? Will not every Jew in Europe see that he can make an extraordinary profit by the same operation? Do not speculators know, that in case of a large and sudden rise in gold from their operations, the telegraph can bring coin in ten days from London to New York? With such facts and dangers staring them in the face, is it to be supposed that the gamblers in gold will seek to force the price to any great height? Then will they have lost their cunning, and rush upon the ruin, which retributive justice may have yet in store for this much and justly abused race.

I said above, that a part of our needed supply of coin might flow here from Europe; a hope which, at first glance, may be thought too rash. To attempt even to hold back from Europe our own production of specie, may seem the same folly as to try to "dam up the Nile with bulrushes," while the hope to cause specie to return back from Europe, may be thought as vain as the wish to roll back to their sources the currents of that mighty stream. But in human affairs no change is too strange to come about. And if the Government adopts a fixed and wise policy of resuming specie payments at

an early day, the marvel will rather be if specie shall not seek that market where a large and sure profit can be got from its sale.

THE EFFECT ON PRICES.

The greenback is, to-day, the measure of prices. As greenbacks rise in value and specie payments approach, prices of merchandise must fall. The number of yards in a piece of goods must grow less as the yardstick grows longer. The number of bushels (falsely so called) in our corn-crop would be less if the bushel-basket were larger. The same change in prices must occur as the greenback, which measures them, grows more valuable. This change of prices, and the other effects which will accompany the rise in value of the greenback, will be of a like nature with those which we witnessed when the currency was depreciating, though tending in the opposite direction. It is needless here to picture these consequences, or to dwell on the injustice which any fundamental change in values must needs inflict. The currency of the country is now in such condition that suffering cannot be escaped. The utmost which can be hoped is, by wise treatment, to reduce it to the least possible amount.*

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* This difference deserves to be noted between the effects of the depreciation of our currency and its restoration to a gold value. The latter comes with full notice. We have all known that resumption of specie payments was possible, and each has judged for himself of its probability, and governed himself accordingly. On the other hand, the former came upon us like a thief in the night, and when a mortgage was cancelled at sixty or eighty cents on the dollar, the absence of all forewarning aggravated the injustice into fraud.

THE EFFECT ON THE VOLUME OF THE CURRENCY.

The supply of paper money would become excessive if its volume remained unchanged, during this decline of prices. Two-thirds as much money will move the corn-crop when corn has fallen from $1.50 to $1.00 a bushel. The same will be true of the cotton crop, and of all the varied operations of trade and commerce. Less currency will suffice. The best mode of escape should be provided for the surplus; clearly, it should be funded. A loan should be opened for subscription at 4½ per cent, or at such low rate that, at those times when currency became excessive, it would be funded. This funding would be wholly voluntary. It could only occur when the money market was easy, and confidence prevailed. Any stringency of the money market, or rise in the rate of interest, or symptom of public distrust, would instantly check the funding. Such a loan would operate as a self-adjusting safety-valve, through which only the excess of currency could be thrown off and funded; and only at those times when the money market would least feel the loss, if it did not find relief.

Another material benefit will follow from this funding of so much of the currency as from time to time is found excessive. The amount remaining to be paid in coin, on resumption, will be just so much less. Here is another illustration of the advantages flowing from the adoption of a wise and bold plan, which makes ample preparation for the most unfavorable contingencies. The very excess of preparation gives such assurance of success, that the precautions will all seem to have been

needless. The larger the supply of coin, the less will be the demand for it, and the fewer notes will remain for payment. The more ample the means of Government to pay their notes on demand, the more eager will the people be not to have them paid, but to do something better with them, either by funding them into bonds or, after resumption, by holding them for use.

WHAT DETERMINES THE VALUE OF GREENBACKS?

Before we can decide on the wisest plan of restoring greenbacks to par with coin, we must first know the elements which determine their value. The causes which produce temporary fluctuations are of course to be disregarded. The schemes and doings of speculators may be laid aside, for they speculate as often for a fall as for a rise. Their art consists in speculating for a rise when gold is too low, and for a decline when it is too high. These operations tend to keep coin and currency in a state of equilibrium, and to prevent, rather than cause, violent changes.

The fluctuations caused by commerce may also be disregarded. It is true that in the autumn the export of the cotton crop depresses the price of exchange and coin, and that in the spring, when this source of remittance draws to an end, and imports are heavy, exchange and coin rise. Two great tidal movements thus occur each year. The average point of all these various fluctuations is the average value of the greenbacks.

This average value depends on two elements,—the volume of the legal-tender currency, and the time of its

payment. And first, it is easy to see how closely its value depends on its volume. Suppose the amount of notes outstanding should be reduced to fifty, twenty, or ten millions. They would rise to about par, even in the present uncertainty as to when they would be paid, and almost irrespective of whether they were *ever* to be paid, and this because, being a legal tender, they would be, for the purpose of paying debts, as good as coin. On the other hand, if the country should be flooded with a further deluge of legal-tender notes, say to twice or thrice the present amount, clearly their value would fall, and would tend to fall in the same proportion as their volume increased. This decline would, no doubt, in part be affected by the plans, promises, and good faith of the Government. We thus arrive at the rule, that, other things being the same, the value of an irredeemable paper currency rises and falls inversely with its volume.

The second element in the value of paper money is equally important, and this is the *time* when it is to be paid in coin. For while, as we have seen, an issue of notes so small as to form an inconsiderable part of the whole currency of the country, might be kept nearly at par by their legal-tender element, even if they were never to be paid; yet, in the case of any large amount of paper money, its value in coin would rise or fall according to the same rules that govern the value of a merchant's promissory notes. If the day of maturity were remote, they would be worth less, and, as it drew near, they would rise, and on the given day they would be worth par, no matter what their volume.

This further explanation is needed: The time of payment of a note, either of a merchant or nation, depends

not only on the face of the contract, but also on the solvency and honor of the maker. Accordingly, in the case of our legal-tender currency, we look not only at the face of the paper,—for that would lead us forthwith to call at the Sub-treasury for coin, nor at the wealth of the country,—for we know that the country was rich enough to pay its notes in coin many months ago, but we look at the real intentions of the Government as to resuming specie payments, and are governed accordingly, each by his own estimate, and the people as a whole by the average of the individual judgments.

Take the case of Hayti for an illustration. Hayti has an irredeemable and depreciated paper currency. I do not know its amount; and, fearing that Haytiens might entertain a low view of the credit and honor of their own government, will suppose that by contract, and for a good consideration, the Barings, of London, should become bound, and publicly promise to pay in coin, at par, all the currency of Hayti at any of the principal towns of that island, on and after July 1, 1870. The Haytien currency would at once rise largely in value, and soon approach to par, notwithstanding the fact that its volume would remain unchanged until the day of payment came.

Thus we arrive at a second rule, that, other things being the same, the value of a legal-tender paper money rises as the time of payment approaches; meaning, by the time of payment, not only the form of the promise, but the public estimate of the honor and good faith of the promisor.

TWO OPPOSITE PLANS OF RESTORING THE CURRENCY.

These two elements, which determine the value of the greenback, and the rules derived from their analysis, suggest two wholly distinct plans of restoring its value to par with coin. One plan is to contract the currency, relying on the rule, that, as the volume decreases, the value will rise. The other plan is to strengthen the credit of the Government, fix an early day, on or before which the Government shall be pledged to resume specie payments, and take ample measures to procure a full supply of coin, so that the public, which no longer doubts, if it ever doubted, the wealth of the country, may rest in the firm assurance that those pledges will be kept.

Either of these plans will restore the currency to par. The latter plan will lead the country through the period of transition, not indeed with ease or prosperity, for that is impossible; the change from debased to standard money must needs inflict distress and wrong on the whole debtor class of the community; but this plan reduces their suffering to the least possible amount. Prices will indeed fall. Debts due now in dollars worth seventy-five cents will be payable in dollars worth eighty cents, then ninety cents, and finally a full and honest dollar. But this decline will be free from panic, and is certainly guaranteed against that worst and needless source of panic, a want of money.

The great merit of this plan is, that it guarantees the people, during its operation, against a dearth of money, and the distress and fear that a dearth of money must always cause. The country will pass from a paper cur-

rency of excessive proportions to an ample currency, composed in part of paper, and based on a liberal supply of coin.

The other plan, that of contraction, has the one merit of restoring the currency to par, but will bring with it every possible aggravation of suffering and woe, panic and disaster. And it will not restore specie payments, for there will not be specie enough left in the country to suffice for money, even in a period of deep and extreme prostration.

CONTRACTION OF THE CURRENCY INVOLVES NEEDLESS PANIC AND DISASTER.

The plan of restoring the currency by contraction has been indorsed by great names. It has been strongly urged by the Secretary of the Treasury in his annual reports, and it has been ably advocated by many well-known writers. Contraction has been the war-cry, in fact, of nearly all who wished the country to resume specie payments. The details of various plans have differed widely; but the prominent features have been the same. Indeed, all the plans of contraction come down to this, — a gradual contraction, and *burning* up of the currency.

Thus the plan of Mr. Atkinson, one of the ablest writers in favor of early and honest reform of the currency, is that the Government give six months' notice, and at the end of that time sell, weekly, four millions of bonds for *greenbacks, to be burnt.* Meantime coin contracts should be legalized, and free banking on a specie basis be permitted; two invaluable privileges, which should

long ago have been restored, and the denial of which is needless tyranny. The essence of the plan is contraction of the currency, getting it into the Treasury and burning it. This scheme of burning up the excess of currency has, indeed, a charm and fascination for the student in his closet. How beautiful, week after week, and month after month, to watch the currency decrease, and receiving your bulletins of its amount, observe the application of your theory, and compare the increase in value with the decrease of volume! And the result which we wish will surely come. The value of the currency will certainly increase.

But will no other consequences, which we do not wish, follow too? Must we not consider the effect of this burning up of the currency in actual use, not only on the currency which remains, but on the public mind? Has not the experience of this century, time and again, proved that the most important effect of a great financial measure is that which it produces on the feelings, hopes, or fears of the people? Fear and distrust often breed a panic, which the state of things that excites these emotions in the popular mind, would of itself fail to create. Remove the sources of the public distrust and the panic is gone, however long the stagnation may last which it has caused. Look at the operation for the last fifty years of the bank acts of the Bank of England. Several times since 1820 the English have become panic-stricken with the fear that the limit of the issues of the bank would be reached, and the supply of currency thus cut off. The Government has intervened, and, by suspending the Bank Act, put an end to the panic by removing the cause of popular dread.

In no one of these cases has the bank exceeded the limit of the law. The cause of the panic was not so much the actual want of currency as the fear lest, when they did want it, they might want in vain. The remedy for the panic was not so much a supply of the currency, which they hardly needed, as the *assurance* of a supply in case of need. The popular distrust which probably begot, and certainly aggravated, the panic, and the return of popular confidence, which ended it, are the striking features of the picture. The statesman, who, in devising measures of financial reform, ignores their effect on the hopes and fears of the people, will blindly lead the people into ruin.

What will be the effect of an enforced contraction of the currency on the mind of the people ? Every one knows that the volume of the currency is excessive. Yet it is a fact that, through the year, hardly a week passes, except perhaps in the dull months of summer, that the newspapers are not complaining of a dearth of money. And often with good cause. For though the amount of paper money is much too large, its value has decreased in proportion. It is this debased value of money which regulates the prices of all articles of trade. The value of a debased currency, and the prices of merchandise which are measured by it, tend powerfully to come to a state of equilibrium. As the currency is debased, prices rise. With a restoration of the currency, prices fall. At any given time, as for instance at the present time, prices of all goods are determined by the value of the currency.

The result is this: The currency, being excessive in amount, depreciates; prices of all merchandise rise. A

larger amount of the debased money is needed to perform the functions of money through the country. In other words, the currency, though excessive in nominal amount, is not excessive in value. *Its total* VALUE *is exactly what the business of the country needs.* The first effect of contraction is to take from the business of the country currency which that business cannot spare. A stringency in the money market at once ensues. The rate of interest rises. Banks and capitalists no longer furnish their wonted loans to merchants, traders, and business men. If the stringency is short-lived, and the causes temporary, these effects are not serious. The longer it lasts, and the more permanent the causes which produce it, the more aggravated and injurious its consequences become. All the varied branches of trade, industry, and manufacture are severely checked. Prices decline, not only because they were too high before, but because nobody dares to hold goods at any price. Nobody wishes to buy to-day or this month, because, in such times, he knows that to-morrow and next month prices will certainly be lower. The courage of the community has gone. All pluck in trade or manufacture vanishes; or, if it still remains, soon leads its possessor into loss.

What now will be the stringency produced in the money markets of the country, by an enforced contraction of the currency, begun, continued, and inflexibly enforced by the stern and merciless behests of law? Imagine, for a moment, the plan of Mr. Atkinson carried into operation. After six months' notice, the day arrives and contraction begins, at the rate of four millions a week. Or, if this rate of speed be deemed indeed too fearful, let it be four millions a month. Either is enough

to do the work. The period of warning has been spent not only in preparation, but also in terrible foreboding; and now, with their feelings highly wrought, and their imagination keenly excited, the people see contraction at length begin. During the first week or month four millions will be wrung from the public, and consigned to the flames. Another week or month elapses, and another four millions go. For a brief period the vaults of the banks in the great cities may stand the drain. But it soon begins to be severely felt. Warned of the approaching contraction, every country bank has sought to hold, if not to increase, its usual supply. Every trader, farmer, merchant, manufacturer, and man of business in the land, has, in proportion to his wisdom and his means, laid by a store of greenbacks against the day of dearth. The city banks could, therefore, have had no unusual supply at the beginning. Their supply must soon sink low. Still, pursuant to the inexorable law, contraction goes on, and the drain of currency draws deeper. Men, or banks, or institutions of any kind which still hold currency, refuse to part with it on any terms. Prices of goods indeed fall, and bargains are cheap; but men know that prices will soon be lower, and the best bargain of this week will entail a heavy loss the next. Debtors, those of them who have not already failed, and still have goods to sacrifice, will seek in vain for buyers. *Money, the sole function of which is to circulate from hand to hand, and move the wheels of trade, will be hoarded by whoever holds it, and cease to do its duty.* Commerce, enterprise, and all the varied kinds of trade and industry will be paralyzed for want of money, without which, in these modern times, they cannot exist. Then

will be beheld a spectacle sad indeed. A country, rich, prospering, progressing beyond example in the world, struck down by its own unequalled folly.

This picture falls far below the reality certain to ensue. For, as week after week or month after month the people see the instalments of their currency wrung away, never to be restored; as they imagine it consigned to a periodical conflagration, so that they know its return is hopeless, even if the officers who enforce the law should relent; as they look forward in their fears to the continuance and aggravation of the stringency of money; as they see prices fall, and goods almost unsalable at any price; when they look around and see the suffering which afflicts them, and know that all escape is hopeless and all relief impossible; and, looking to the future, see that all the causes of this suffering will continue to operate with increasing severity, — what shall hinder the wisest and the weakest from being stricken alike with panic?

Nor would this panic quickly pass away. For the causes of it would endure. Week after week and month after month the engine of torture, devised by law, would be applied to the body politic, to wrench from it the nerves of industry, and suck out the life-blood of trade, till at length the work of ruin should be done. The excitement of panic would at last subside, and leave the country in profound and pitiable collapse.

The plan of restoring the currency by enforced contraction is, then, justly to be charged with these defects: —

1. Involuntary contraction is always odious to the people, and attended with dread.

2. Contraction, to be enforced under a scheme of law, which is inflexible and merciless, will quickly work the public into a state of panic.

3. The plan lacks the most essential element of success. It does not attempt to provide the people with a better currency, before taking away the currency in use.

4. It does not ensure the people against the possibility of a *gap or interval* during which greenbacks may have ceased to circulate before coin has begun.

The advocates of this plan will no doubt urge, in its defence, that it is neither necessary or expedient to carry contraction so far as above supposed. But it is immaterial where contraction ceases after it has gone on long enough to restore the value of the currency to any point at or near par with coin. For, long before that period is reached, panic, with all the miseries which come in its train, will have shrouded the country in gloom.

A contraction of the currency has been already attempted. For a brief period, in 1867, the volume of currency was reduced. All the circumstances of the banks, the people, and the money-market, as well as the season of the year, favored the experiment. The public did not, at first, realize the full scope of the movement. The plethora of currency at the time was so great that, during the dull months of the year, a contraction of perhaps forty out of four hundred millions, was quietly effected. But the people soon awaked, and understood the movement. The demand for money to move the crops came in the autumn. Doubt and distrust began to be engendered. The seeds of panic were already sown. But the popular outcry was so violent, and the symptoms of distress and approaching disaster so alarming, that

the Secretary of the Treasury at once used the discretion which the law wisely conferred, ceased all further contraction, and made public announcement of the fact. The relief was immediate. But the people had come too near to the disaster, and stood face to face with it too long, quickly to forget the lesson. Almost the first act of Congress was to repeal the law which, by allowing contraction, had endangered the public safety. The sober judgment of the people has condemned the measure of an arbitrary and enforced contraction of the currency, as fraught with danger and disaster.

Bad men, at least, have learned what a powerful engine an arbitrary contraction of the currency becomes; and how small a contraction relative to the whole volume will serve to accomplish their base ends. The speculators of New York are adepts in the art of contraction, and have repeatedly given the country cause to mourn their cunning. When the times are favorable, and their plans are ready, the "locking-up" of a few millions of greenbacks on Wall Street creates, within twenty-four hours, an alarm and a stringency in the money market seriously felt from Maine to the Mississippi. Once or twice, at least, we have seen this villanous scheme almost create a panic in New York. And yet how inadequate does the cause seem! In a single city of this broad country, though it is indeed the metropolis, among a few of its banks, by the act of a few bold men of wealth, in order to depress the price of one only of the classes of commodities which exist in the country, a few millions of currency — a mere trifle out of the vast mass of the whole — are taken from the usual channels of trade, and this, too, only for a brief period; for the currency is

not lost, burnt, or banished; and everybody knows that it will soon return to the place that missed it, and that its absence is caused only by a temporary manœuvre;— and yet the money market of New York is so sensitive, that it barely escapes grave disaster, the banks of the other great cities are involved in a common and severe stringency, and, for the time, the business of the country, in its great commercial centres, is brought to a dead halt.

The lesson that we learn from these operations on the money market of New York, our own experience of contraction in 1867, the experience of England under her Bank Act, the certain effects of an enforced contraction on the imagination and the fears of the people, every thing combines to warn us against this dangerous scheme. *Proclaim it on the housetops through the land, that an* ENFORCED *contraction of the currency will cause needless and extreme distress, and if pressed far enough to substantially enhance its value, will inevitably create a panic.*

THE ONLY SAFE PLAN OF RESTORING THE CURRENCY TO A SPECIE BASIS IS TO ENHANCE ITS VALUE BEFORE CONTRACTING ITS AMOUNT.

Turn now to the other plan by which the Government can restore the country to specie payments, and let us see, first, if it is certain to accomplish that great result; and, secondly, if it is free from the perils and disasters which are sure to follow from enforced contraction.

This, then, is the plan which Congress should frame into a statute. Let the preamble recite that public faith with the creditor requires that the United-States

notes be paid in coin; that the welfare of the people, both industrial and moral, demands that the debased currency now in use be promptly restored to the true standard; and that, as the resources of the country and the Treasury are ample for the purpose, specie payments shall be resumed at the earliest practicable day consistent with due regard for the trade and industry of the people during the period of change.

SECT. 1. July 1, 1870, is fixed as the day on or before which the United-States notes, and all other demands on the Government, shall be paid at the various sub-treasuries, in coin.

SECT. 2. All further sales of coin by the Government are prohibited.

SECT. 3. The Secretary of the Treasury is empowered, at his discretion, to offer the option to bondholders of receiving their interest in coin, or in currency at a rate equivalent to coin.

SECT. 4. The Secretary of the Treasury shall obtain and hold ready for resumption at the time fixed two hundred millions of coin.

SECT. 5. A loan on 10-40 bonds, at not over five per cent interest, may be negotiated either in Europe or the United States to obtain the necessary supply either of currency or coin.

SECT. 6. Another loan, bearing not over four and a-half per cent interest, shall be opened for subscription in this country for the funding of United-States notes.

SECT. 7. The public honor is pledged to the faithful execution of this plan of resuming specie payments.

The battle would be more than half won, by the deliberate enactment of such a law. It is the fear of repudiation, in some of its countless shapes, that discredits both our bonds and our currency. The passage of such an act would bury every form of repudiation deep in the grave of disgrace, with the public seal of solemn condemnation engraved upon its tombstone. The confidence of all good men would be strengthened, the doubts of the timorous dispelled, inflationists would

be utterly discredited, and see that all further schemes were vain. The wealth of the country is known, by all men, to be ample to resume and maintain specie payments, after due preparation. The credit of our bonds steadily grows stronger, even now, throughout Europe. The success of the Republican party, pledged to maintain the public faith with all the creditors of the Government, not only to the letter, but in the spirit, is believed as well in Europe as with us to remove all reasonable doubt that the bonds will be paid in coin.

Let the country seek to emerge from the slough of debased money in which it has wallowed so deeply and so long. Let it exhibit a hearty and healthy disgust at the depravation of public and private morals, induced by this foul disease. Let Congress rise to the level of the great reform, and, after due and deliberate debate, condemn the present debasement of our money, appoint the day when it shall cease, decree that an ample supply of coin be gathered for public use, furnish liberal means to carry the plan into execution, and pledge the public faith and honor to resumption; let this action take the form of a solemn statute, and the distrust which now prevails about our currency will surely be dispelled, the certainty of its payment in coin be accepted as a fact, and the public credit be restored and confirmed.

The day marked by the passage of such a law will be an epoch. It will see that great event announced in every city, and nearly every town throughout this country, and proclaimed in all the money markets of Europe. Our bonds, which now are depressed abroad by the doubt as to how they will be paid, will at once bound up towards their true value. London and Paris and Germany will

then at length rank them nearly at the head of national loans, in point of merit and safety, and eagerly compete for the investment long after they have risen above par in coin.

The effects in this country will be equally marked. The value of United-States notes, the basis of all our currency at present, must be rapidly and largely enhanced. By an unfortunate inversion of the truth, our market quotations give the price, not of greenbacks, which have never ceased to fluctuate in value, but of gold, which is the most stable commodity known to the civilized world, and therefore selected as the standard of value. At present, Nov. 2, 1868, gold is quoted at about 133⅓. But after the passage of such a law, under circumstances giving assurance of its faithful execution, who will give that price for coin which in eighteen months, or less, he can get at par? Or rather, who that has coin which he can sell at such a premium, will not seek hastily to secure his profit while he may? Another and perhaps the true form of stating the question, is, Will not greenbacks, which to-day are worth seventy-five cents in coin, rise in value when every banker, capitalist, and man of business in the land knows that in a short and fixed time they will be equal to gold? It seems impossible to doubt that the effect of a measure pledging the wealth and credit of the Government to make greenbacks equal to coin at a day named, will be to lessen at once the difference between their values. No one can deny that the whole tendency of such a measure will be powerfully in that direction. Is it not clear that, as the day draws near, the difference in these values, measured by the premium on gold, must decrease? Is it

not certain that on the day itself, if not sometime before, this difference will have gone?

Suppose it is said that nothing in the future is sure, and that no business man will rely on resumption taking place, with absolute certainty. Give all due weight to this modicum of doubt, and it will not much retard the decline of gold and the rise in the value of greenbacks.

The objection will be urged that this plan leaves the market for gold in the hands of speculators; that if the Government ceases to pay out coin for interest, and sales of coin are forbidden, and as the hoard in the Treasury grows larger, and the supply on the market draws low, the price of gold may be forced up by the gold gamblers of Wall Street to any point they wish. The true answer to this argument is, first, to admit that within certain narrow limits, and for a brief time they may, with their vile manœuvres, manipulate the price of gold. But these limits will be very narrow, and the time within which reaction will set in, be brief. For speculators can find no profit in attempting to stem the tide of events, or to roll back the descending torrent to an excessive height. The whole country will be against them, not in indignation merely, but in its practical action. The whole class of importers will see their interest to oppose such a movement, and turn it so far as possible to their profit. The numerous class of exporters will at once seek gain out of it, by increasing their exportations, and selling their exchange when speculators have raised gold to an unnatural height. The great and wealthy class of bankers, whose dealings in exchange are chiefly based on coin, and whose art and cunning lie in understanding the movements and tendencies of both,

will see a large and sure profit in importing and selling coin at the high prices caused by speculation. Lastly, the power should be conferred on the Secretary of the Treasury, to negotiate a loan in Europe to furnish the funds which the Government may need (see sect. 5). The exchange arising from sales of bonds in Europe could be sold at no time with more profit to the Government than when coin was highest. The Secretary might, if experience showed the need, wisely keep a few millions on deposit with the Barings in London. In this way the knowledge that their schemes might be brought to grief by the Secretary using this power of selling exchange, and that all bankers here and abroad, as well as all merchants and traders, would find their profit in entering the lists against them, would teach the gamblers in gold, if they were wise, not to try too bold a flight. The premium on coin would tend so strongly down into moderate figures, that nothing but folly would seek to carry it to any high point. The attempt, if made, would certainly result in loss, and not often, if ever, be repeated.

The second branch of our inquiry is, whether this plan of restoring the currency is free from the perils and disasters which are sure to follow from contraction. *The great merit of this plan will now be seen. It is, that, during the whole period of transition, the people will be supplied with a sufficient currency, and will rest assured of that fact.* Prices of all goods are measured by money, and they must indeed grow less as the measure grows larger. But the decline of prices which takes place when money is plenty and interest is low, is free from all those circumstances of distrust which

exist when the decline is caused by a dearth of money, and which drive the people into panic when this dearth of money seems likely to be lasting and severe. It is indeed true that panics, other than money panics, occur; but it has rarely happened that the dread of a dearth of money, which usually takes the form of the banks and money-lenders calling in their loans and refusing further aid, or extension of credits, has not accompanied the feverish excitement and added fuel to the flames. So long as this dread lasts, and the stringency of money is maintained, the panic grows; when these causes cease, the panic ends. The history of this country, and of England, affords many illustrations of this fact. The suspension of the Bank Act in England, which fixed the limit of the bank issues at a point which the people feared would soon be reached, has by removing the cause, stilled the wild excitement and ungovernable panic of London, and all England, into calmness, soon brightening into hope. The suspension of specie payments, by the banks of this country, in 1837, 1847, and 1857, soon relieved the anxieties of the people; and though depression and gloom continued, the symptoms of panic were dispelled.

A money panic is a panic begotten of the fear that the supplies of money are shrinking, and that the loans and accommodations which, in all their varied forms from banks and capitalists, are based on currency, and, even more, on the confidence which an ample supply of currency creates, can no longer be had by the borrower, but will be demanded in haste and peremptorily from that unfortunate class of men. Nothing can more surely create such a money panic, than that best of all

causes of it, an enforced contraction of the currency, with the uncertainty how far that contraction will be pressed, and at what point the money market will collapse beneath the pressure.

The process of restoring the currency to the specie point, by raising the credit of the Government and of its promises to pay, guarantees entire safety against the possibility of a dearth of money. The volume of currency will remain unchanged. This fact will be known and admitted by all men. So far as is possible, the dulness in trade, which is created by a fall in the prices of goods, will be cheered by an ample supply of money. Trade will be made easy to all who wish to pursue it. This is the utmost which any plan of restoring the currency can offer. Dulness in trade and manufacture at such a time is inevitable. The folly of the plan of contraction is, that this dulness will be made more profound by so tightening the money market as to take away all facilities for what trade may still remain, and that this tightening may, and in all probability must, long before it can effect a sufficient contraction to restore our currency to par, be carried to such extreme as to cause a panic. The merit of the plan of enhancing the value of the currency before contracting its volume, is that all possibility of distrust or panic is prevented, and that the inevitable dulness in trade is reduced to a minimum, while the easy supply of money offers all facilities which are possible to the enterprise and industry of the people.

The fault to be alleged against this plan lies rather in the opposite direction. The theorists who maintain that prices depend on the volume of currency will, of

course, insist that prices cannot be lower while the volume of currency remains the same. Because, as they will say, if prices should fall for a while, the excess of currency thereby created would cause a reaction and a rise. Even if this theory were sound in general, in this case it would prove false. For the theory surely cannot hold when the excess of currency, whether caused by a decline in prices, or in any other way, is known to be only temporary. The public would know that the plethora of money seeming to exist as prices of merchandise fell, and as less money was therefore wanted, would cease on the day of resumption; and that, as soon as the country had fairly entered on specie payments, and the currency of the banks as well as of the Government was redeemable in coin, the volume of outstanding currency would regulate itself by the public need. A temporary plethora of money, known to be temporary, will by no means operate on prices as if it were sure to last.

The plan proposed offers another and decisive answer to this objection of a plethora of money. The Government should open a loan at a low rate of interest for public subscription (see sect. 6). The rate should be fixed so low or the price so high as to invite subscriptions only at times when money becomes plethoric, and the rates of interest rule low. It is the part of wisdom, as well as for the profit of the Treasury at such times, and at such times only, to place a loan on the market. When money is tight and interest is high, currency can ill be spared, and enforced contraction at such a time by the sale of bonds, or in any other mode, is a grave mistake. But the offer of a loan on such

terms as only to be taken when currency becomes excessive, will insure to the Government the best possible sale of its bonds, and will withdraw the excess of currency in a way not only to excite no fears in the public mind, but rather to relieve the fulness of the market.

The distinction between contraction by this system, and contraction as before considered and commonly urged, cannot be too carefully marked. The former is voluntary, the latter compulsory. The one operates only in favorable states of the money market, the other must be enforced, if not wholly irrespective of the money market, yet at times when the contraction will be severely felt. The one waits till the enhanced credit of the Government has raised the value of the currency, till prices have fallen by a natural and healthy process, and currency has thereby become plethoric, and then offers relief to the money market, by opening an escape for the excess. The other is forced into operation before any of these changes have come about, and is used itself as the engine to depress prices and enhance the value of the remaining currency. The one is wholly free from any injurious effect on the fears or imagination of the people. The other excites at once and powerfully their just suspicions. The one is suffered to come into play within due limits, as an effect after other causes have prepared the way. The other is used as the one great and all-sufficient cause of bringing about the desired reform. Contraction, before prices have fallen, used as a means to depress them; before the value of the currency has risen, used as a means to restore it; and enforced on the money market pursuant to a scheme of law known to the public, and exciting their suspicion,

is certainly open to grave objection, and is probably fraught with disaster. On the other hand, contraction, after prices have fallen, after the value of our currency has improved, permitted to the public in such manner as to draw off surplus currency only so fast as it is clearly proved to exist, and at times when it can best be spared, is a process free from objection and from danger, is a valuable auxiliary part of the plan of restoring the currency to the specie standard by first enhancing its value, and should be urged upon Congress with vigor.

These, then, are the prominent features of the only plan by which the country can escape from its present exigency safely and with honor: —

First. The adoption of a definite policy by Congress, fixing a reasonably early day for resumption, and providing ample means to carry the plan into execution, so that all men will regard its success as a fixed fact.

Second. The collection, by the Government, of an ample supply of coin, ready for resumption.

Third. The assurance thus afforded to the people that specie payments will not only be resumed, but easily maintained.

Fourth. The avoiding of all enforced contraction of the currency, and of the distress and prostration which the very name of enforced contraction has taught the people justly to fear.

Fifth. The guarantee of an ample currency during the whole period of transition, so that enterprise and industry, the only sources of wealth, will be aided, rather than checked; and the surplus currency, so fast as it exists, will be funded in a way to afford relief, rather than excite fear.

Sixth. The guarantee, after resumption, of the best currency which civilization has yet discovered: paper money and coin combined; the coin in ample supply, and the paper convertible into coin on demand.

Lastly. The present exigency, and the future needs of the country are thus met in a manner befitting the wealth, the power, and the honor of a great nation.

THE WHOLE COST OF RESUMPTION $22,133,000.

If now a careful study of the condition of the country and currency, and of the various methods of reform, with the different consequences likely to ensue from each, shall convince us that the plan I have been urging is the safest and best, what patriot will deliberately sit down and count the cost of rescuing his country from its present state of peril, partial repudiation, and ill-concealed disgrace, and of restoring it to safety, prosperity, and honor! It is with feelings of strong aversion that I approach this part of the subject of resumption. But it may be well to avert the fears of niggards and the plots of treachery, by showing how utterly insignificant is the outlay which this whole plan will involve.

The expense consists only of two items: loss of interest, and cost of premium on coin. The loss of interest may be easily and exactly computed. On Nov. 1, 1868, the Treasury held $103,000,000 in coin, and this is the average amount, which, including coin deposits, the Government has held for the purpose of meeting with certainty the payment of coin-interest on the debt. The loss of interest on this sum need not be included.

For this sum is and will be held until resumption, in any event. If pursuant to the proposed statute, fixing the day of resumption eighteen months in advance, a further sum of $100,000,000 be collected, the interest at six per cent for the average of the time, say nine months, is $4,500,000 in coin. Or if the funds for the purchase of this coin be supplied by the sale of five per cent bonds at par, the interest on $100,000,000 bonds at five per cent for nine months would be $3,750,000. Suppose the average premium on coin to be one-half of its present rate (Nov. 7th), or seventeen per cent. The amount of bonds to be sold must be increased in that proportion to yield the needed funds, and the interest would be $4,387,500 in coin, or, at the same rate, $5,133,000 in currency. This is a liberal estimate, and no doubt exceeds the amount which would actually be spent.

The cost of the premium on the coin which the Treasury would buy, or, by paying coupons in currency at an advance, be able to retain, may also be computed with tolerable certainty. But before I make the computation, I must enter my indignant protest. For I see that I am computing the exact amount of our national dishonor. I am measuring the difference between the solemn promise of our Government to pay, and the dollar which by a breach of this promise it has not paid and does not pay. I read, on the face of a United-States note, a promise to pay "dollars," and I am counting the cost to the country of performing that broken promise at a late day after a long dishonor. And this computation is needed for the sole purpose of deciding whether at such cost the country can even now afford to be honest.

I am aware that the United-States notes are not merely debts of the Government, but have come to perform that most important function of being the money of the people, and that the true method of dealing with them is not found by regarding them as "failed paper," as they are often and truly branded. The disease of debts has but one cure, — prompt and honorable payment. But the money of the people must not be treated by such summary process, but should be touched with caution and moderation. Still, when the restoration of the money of the people to the true standard, demands, as one element of success, payment of the public debts in coin according to the letter and the spirit of the promise, surely such payment cannot be opposed, nor can the cost of it be urged as an objection to the plan, by any honorable man. Never, without profound regret, have I seen "premiums on sales of coin," returned by the Government as a part of its income. And I cannot count it any loss for the Treasury to procure coin enough to pay all its notes and debts upon demand.*

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* The true answer to the fraudulent scheme of paying the 5-20 bonds in greenbacks, has always seemed to me to be this: Not that the public believed when the bonds were issued that before the five years' option arrived, greenbacks would have been all paid in coin, or become convertible into coin; nor that the officers and agents of the Government, when they sought subscriptions, assured the public that the bonds were payable, and would be paid in coin; nor that the public, in their subscriptions, relied on these assurances; nor that the Acts, authorizing the issue of the greenbacks, aimed to guard them from depreciation, by fixing limits to their amount, and offering the privilege of conversion into coin bonds. But this is the decisive answer: That the struggle of war is now over, the credit of the Government restored, its revenue and resources ample; and the depreciation of the greenbacks arises no longer from inability, which may be pardoned, but from the wanton refusal to pay them in honest dollars, according to the promise engraved on their face. Now, even if the Government has, by the letter of the law, the option of paying the 5-20 bonds (and bonds issued before the war, as well), in greenbacks, yet for the Government to claim this option, and pay the bonds in depreciated greenbacks

How much, then, will it cost the Government for the premium on the coin which must be bought? If $100,000,000 be bought at the average price as gold falls from one hundred and thirty-four to par, the premium would be seventeen per cent on that sum, or $17,000,000 in currency. This, with the $5,133,000, which is the cost of interest, gives a grand total of $22,133,000 in currency as the whole cost to the Government of restoring the currency of the people to a specie standard, and securing to them the use of an ample supply of coined money thereafter. How small does this sum seem, when compared with our annual income or with any of the large items of our annual expense. Each year, the army will require a far larger sum. Each year, the navy will need nearly that amount. Our annual interest is about six times that sum. Twice that sum was, not long ago, voted eagerly away by Congress as extra bounties. It is less than eight per cent of the national revenue this year. Remember, too, that the outlay once made will not need repetition. The exigency, however pressing at present, will not again arise after it has once been met with liberal and thorough measures of relief.

If this sum, so small compared with the public wealth or the public need, is enough to restore the country to specie payments, and will guarantee the safe transition from our present currency to coin, and an

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at the same time that its own wanton breach of faith in not paying greenbacks on demand in coin, causes their depreciation; nay, more, for the Government to insist on this option *for the sole purpose* of causing to the bondholder the loss, and getting for itself the gain, arising from this dishonor and consequent depreciation by itself of its own solemn promises to pay, — is such an artful blending of robbery and fraud, that honorable men may well stand aghast.

ample supply of coin for the business of the country after the change is made, and will insure the people against the distress of enforced contraction, what public man shall dare to inveigh against this plan on the ground of its expense, or to invoke a base and fatal spirit of economy in his opposition? The financial annals of the world will be searched in vain, and they will afford no instance where such priceless blessings have been procured at so small a cost.

The welfare of the great masses of the people demands that the resumption of specie payments be pressed through to early and complete success, *almost regardless of the cost.* I do not feel that the claim can be made so strongly on behalf of the capital and wealth of the country in its various investments. For the uncertainty caused by the state of the currency has justly enabled capital to levy a heavy toll from the consumers of products, who are the great masses of the people. This toll is of the nature of insurance. What prudent householder does not insure his house against the risk of fire? The cost of this insurance is exactly measured by the amount of premiums received in the whole country, and it is an enormous sum. When the currency has no fixed value, but fluctuates from day to day, no contract can be made, no enterprise can be begun, no branch of manufacture can be carried on, which is not tainted by the doubt as to what will be the value of money when the contract, the enterprise, the manufacture, is complete. No man who needs in business to borrow money should forget that when he borrows dollars worth seventy-five cents, he may be forced to pay dollars worth eighty, eighty-five, or ninety cents. No capitalist who loans money forgets

that what he lends worth seventy-five cents may return to him worth only seventy or sixty or fifty cents. Every one of all these men charges insurance for this risk which he runs. The cost of this insurance is added by the merchant to the cost of the goods he imports, by the manufacturer to the cost of the goods he makes, by every trader in the land to the price of the goods he sells. The grand total of all this duplicated insurance swells the price of goods as they come to the hands of the consumer, and it in good part explains the unnatural enhancement of prices, at which all men, and especially the poorer classes, daily and justly complain.

Many indications exist that this tax reaches an enormous sum. The extraordinary profits of nearly all branches of manufacture, taken as a whole, not only during but since the war, and the increased rates of interest which money yields, all confirm this view. Observe, too, that while this burden falls chiefly on the laboring classes, it accrues as a net profit, subject to no loss or deduction, to the capitalists, taken as a class. Fire destroys the building which is insured. But a change in the value of money gives to one what it takes from another, but can destroy nothing. The shrewder merchant, capitalist, or trader gains what his less fortunate rival loses. All charge a high rate of insurance, because, unlike fire, which rarely happens, they know that a change in the value of money will, without doubt, take place, but cannot guess in which direction nor to what extent. The whole cost of this insurance of capital against the dangers of a currency of fluctuating value, while it accrues, therefore, as a net gain to capital, is borne as a burden by the labor and industry of the

people. Though the amount of this burden cannot be known, it is safe to say that it exceeds each year largely, and perhaps many fold, the whole cost of restoring our currency to coin.

The credit and honor of the nation present the most urgent reason for prompt and decisive measures of reform. The public conscience has too long been accustomed to the idea of turpitude and repudiation, and is growing daily more familiar with the thought. And it is with nations as with men. The crime which at first startles the mind with its enormity, and is rejected with honest anger, grows more familiar the longer it is pondered, till, at length, the horror caused by its first approach is gone, the man falls a victim to the hateful guest whom he has harbored, and does the act which can never be recalled. Nor let any man boast that he can long walk safely on the edge of a perilous abyss, lest, in some fatal moment, he may fall. Our beloved country has loitered too long on the brink of dishonor; and the foul and fearful crime of repudiation, which, nine years ago, would have been received by the nation with loud and instant rebuke, now boldly rears its baleful crest, gathers a numerous class of supporters, and aims to seduce the Government of the country.

The form, too, which the act would assume aggravates its enormity. Direct refusal to pay would at least be manly and explicit. But open repudiation has probably passed out of fashion, never to return,—utterly displaced by the ingenious device of paper money. Why refuse to pay, when the printing-press will give the clamorous creditor his own at once, and without cost to the country? But as the crime

becomes more subtle and more fraudulent, the real degradation of the country and of the virtue of the people will be more profound.

Let us look, if we must, for a moment, full on the picture of such disgrace. No longer could our country stand erect, with untarnished honor, among the nations of the earth, but, taunted by them all, would seek to explain and to apologize, where all excuses would be vain. No longer could Americans meet the men of other lands with the proud feeling that they were sons of an illustrious and honored country, but conscious shame would lead them to curse the day when, for a gain which they will see to have been paltry, they bartered away their best birthright. The shame which we should bring upon ourselves would not die with us, but descend on the heads of our children and our children's children; and the generations yet unborn would inherit the fatal legacy of dishonor, which they could not escape, and would learn, with anger and amazement, of the wrong basely done to them by their fathers.